



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0375	Title:	State tax incentive for national guard and reserve employers
Primary Sponsor:	McGee, Dan	Status:	As Amended in Senate Committee

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$2,500	\$0	\$0	\$0
Revenue:				
General Fund	(\$828,225)	(\$828,225)	(\$828,225)	(\$828,225)
Net Impact-General Fund Balance:	<u>(\$830,725)</u>	<u>(\$828,225)</u>	<u>(\$828,225)</u>	<u>(\$828,225)</u>

Description of fiscal impact: This legislation provides a tax credit to employers of national guardsmen and reservists in Montana.

FISCAL ANALYSIS

Assumptions:

- Beginning in tax year 2007, this legislation would provide a \$250 tax credit to employers for each member of the Montana National Guard or Montana reservists serving in the army, navy, marine corps, coast guard, or air force ready reserve. The employee must have been employed for at least 9 months during the tax year for at least 20 hours a week and must have been employed on the last day of the tax year, or would have met these conditions except the employee was called into active duty. This credit can be carried over for seven years.
- According to representatives from the Montana National Guard and Montana reservists, the total number of guardsmen and reservists in Montana is 5,258. See technical note 1.
- According to a 2004 report by the Secretary of Defense, Reserve Affairs, 59% of reservists are employed in the private sector and 11% are self-employed. The remaining reservists work for public or non-profit employers that would not claim this credit. This fiscal note assumes that the employment distribution for national guardsmen is similar to the reservists. Therefore, employers could claim this credit on 3,681 (5,285 x 70%) guardsmen and reservists.

4. At a tax credit of \$250 per employee, the bill will provide tax credits each tax year of \$920,250 (\$250* 3,681), starting in tax year 2007.
5. It is assumed that 10% of the available credit will not be used each year because some employers will have tax liability less than their credit amount. Therefore this credit is estimated to reduce general fund revenues by \$828,225 each year.
6. This bill is effective on passage and will apply retroactively to tax years beginning after December 31, 2006. Credits will first be claimed on returns filed in the spring of FY 2008.
7. The Department of Revenue will require \$2,500 in FY 2008 for the creation of a new tax credit reporting form.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$2,500	\$0	\$0	\$0
TOTAL Expenditures	\$2,500	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$2,500	\$0	\$0	\$0
TOTAL Funding of Exp.	\$2,500	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	(\$828,225)	(\$828,225)	(\$828,225)	(\$828,225)
TOTAL Revenues	(\$828,225)	(\$828,225)	(\$828,225)	(\$828,225)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$830,725)	(\$828,225)	(\$828,225)	(\$828,225)

Technical Notes:

1. This fiscal note assumes that the 110 Coast Guard Auxiliary performing duties for Montana's rivers and lakes would be eligible for this credit. The number of guardsmen and reservists also includes 60 Air Force personnel that work and live in Montana, but are associated with a troop located out of state.

Sponsor's Initials_____
Date_____
Budget Director's Initials_____
Date